BMA ADVOGADOS

Trends for the Natural Gas Market in Brazil and investment in the sector are debated in event

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The Decennial Energy Expansion Plan 2029 (PDE 2029), released on Tuesday, February 11, aims to outline guidelines for planning the energy sector in the country over the next 10 years. The forecast is for R $ 2.34 trillion in investments in oil, gas and electricity, with the natural gas generation increasing from 7% to 14%. To discuss this booming market, BMA, in partnership with the consulting firm Gaffney, Cline & Associates (GCA), received **Symone Araujo**, director of the Natural Gas Department of the Ministry of Mines and Energy (MME) for a chat followed by a round table on "**Gas Market Trends in Brazil**".

Planning and investment

The meeting, which took place in Rio de Janeiro's office on Wednesday, February 12, sought to showcase initiatives such as the federal government's New Gas Market program. "We are committed to making the PDE a planning tool for the investor, so that we can, through public policies, make our vision of the future clear, especially so that the investor can understand which way we are going wants to go, "explained Symone. "Meetings like these are essential. We are here, at the heart of the market, and you have a bit of the investor's route, eyes and thinking. This is a market that requires very important investments, it is a network industry that needs to expand infrastructure ", added the director.

When presenting the speaker, Carlos Frederico Bingemer, partner of Oil and Gas at BMA, stressed the importance of discussing the gas market, especially in the light of the recently disclosed PDE, which intends to bring such relevant investments to the area. "It is something around R $ 60 billion in the gas sector. I think that already gives a little dimension to the importance of this theme. We have many challenges, but we also have to applaud what has already been done, "he said.

This country's ability to plan for the long term was celebrated by Cesar Guzzetti, General Manager of Latin America at Gaffney, Cline & Associates, who sees a promising future for the Brazilian gas market. "The best country to invest in Latin America today is Brazil. I really believe that it is the country with the most stability and guarantees for investors. The plan that you just presented, for 10 years, I do not know another country in the region that is capable of presenting something like this ", he praised.

New Gas Market

Launched in July 2019, the New Gas Market program aims to form an open, dynamic and competitive market for natural gas in the country. For this, the Ministry of Mines and Energy needed to develop the project in conjunction with the Ministry of Economy, the National Agency of Petroleum (ANP), the Energy Research Company (EPE) and the Administrative Council for Economic Defense (CADE) to achieve create a program capable of increasing competition in the gas business, encouraging investment and facing monopolies, also taking advantage of the opportunities offered by the pre-salt areas.

"We have to recognize that we are doing this 26 years late, but we are doing it. And, from this point of view, he has a great learning experience when we were initially challenged by the sector monopolist himself, when he communicated his intention, within the scope of his governance, to divest in two natural monopolies, transport and distribution, it was clear to we who needed to do something ", declared the director. "The natural gas market in Brazil is a young man of just over 20 years old, with very important issues to be resolved, and, obviously, one of them is to seek demand and develop infrastructure. It is a country with continental dimensions and an infrastructure far below its needs ", pointed out Symone.

Competitiveness and internalization

One of the program's goals is to reduce the price of gas by up to 40% in up to two years. According to the MME, 49.4% of the demand for natural gas in Brazil comes from the industry. The Electricity Generation sector corresponds to 36.1%, followed by Automotive (7.5%), Cogeneration (3.3%), Residential (1.5%) and Commercial (1.1%). "The gas has an apparent dichotomy. It needs to have sufficient economic attractiveness for the agent to be interested in putting it on the market, but at the same time, it has to be competitive enough to move diesel oil, fuel oil, ethanol or even the very electricity it produces. This really is a big challenge ", highlights the expert.

Symone also stresses the importance of discussing and thinking about the internalization of the gas. The current network of gas pipelines is closely connected to the coast, making a series of actions in the country impossible. "We have a constitutional complexity. The gas is completely regulated by the Federal Government up to the city gate, and from then on, it is the responsibility of the states. I usually joke that he is like all of us. I am Brazilian and from Sergipe, for example. Gas has this nature of having a national constitutional jurisdiction regulation, but when it enters the state, it becomes natural. This is very complex to manage ", she stresses, which lists the search for regulatory harmonization between the Union and the states as one of the objectives of the New Gas Market.

The construction of a midstream industry and giving the consumer power of choice are other premises that the program seeks to achieve. "It is the consumer who will decide if he chooses to remain a captive or if he finds it more interesting to go to the market, take additional risks, but eventually be able to buy a (gas) molecule offered in a more competitive way", highlights Symone. "Brazil is not alone. Several countries in the world are going through the same process and many others went through a few years ago. Many people are in the same boat, but I think the ministry is doing a great job ", ponders Asish K. Mohanty, one of the directors of the Gas & LNG area at Gaffney, Cline & Associates.

Image: from left to right: Cesar Guzzetti (GCA), Asish K. Mohanty (GCA), Symone Araujo (MME), Carlos Frederico Bingemer (BMA) and Adriana Lontra (BMA) (credit: Dani Dacorso)

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